



The 233rd meeting of the Rhode Island Student Loan Authority was held on Friday, December 2, 2005 in the 2nd floor Conference Room, 560 Jefferson Boulevard, Warwick Rhode Island. The Honorable Robert J. McKenna called the meeting to order at 9:08 A.M.

The following Board members were in attendance:

Hon. Robert J. McKenna
Dr. William Croasdale
Mr. John Howell
Dr. Anthony Santoro
Hon. Paul J. Tavares, General Treasurer
Ms. Laura DiSano

Others in attendance:

Mr. Noel Simpson, Executive Director, RISLA
Mr. Joseph R. Palumbo, Jr., General Counsel
Ms. Jennifer Dutch, RISLA
Mr. Charles P. Kelley, Executive Director, NESLA
Mr. Kevan McAleer, CFO, NESLA
Mr. David DeBlois, Director of College Planning Center
Ms. Kerrie L. Bennett, Office of the General Treasurer
Ms. Rebecca Johnson, Office of the General Treasurer
Mr. Marc Lacroix, CFO, RIHEAA
Ms. Gail Mance-Rios, Deputy Director, RIHEAA

Upon a motion by Dr. Croasdale and seconded by Mr. Howell it was unanimously

VOTED: To approve minutes from the board meeting held on October 6, 2005.

Chairman's Report

Dr. McKenna presented a citation to Kerrie Bennett from the Office of the General Treasurer for her services to the Board. Mr. Tavares introduced Rebecca Johnson who will replace Kerrie Bennett.

Executive Director's Report

Mr. Simpson provided a handout to the Board members regarding the Higher Education Act reauthorization legislation. Mr. Simpson indicated that the Higher Education bill has been sidelined while Congress is working on a budget reconciliation bill which would disproportionately affect student aid programs.

Mr. Simpson noted that there is a letter in the Board packet from the rating agencies reflecting in a rating reaffirmation of AAA by Moody's and Standard & Poor's on two of RISLA's bond issues.

Mr. Simpson noted that he included in the board packet a board meeting schedule for next year.

Mr. Simpson also included in the board packet a new brochure for the College Planning Center which describes the personal nature of the services provided and the experienced and knowledgeable counselors working with students and parents at the College Planning Center. Mr. Simpson indicated that the brochure will be mailed out to legislators, general officers, and Rhode Island high school guidance offices. Mr. Simpson also noted that the issuance of a press release regarding the new website for the College Planning Center and a new e-mail notification service that informs parents, students, and guidance counselors of important dates in the college planning process.

Dr. Santoro asked about the size and suitability of the space in the Warwick Mall where the College Planning Center is located. Mr. Simpson indicated that the space at the mall gives the College Planning Center high visibility and noted that the rent at the mall has remained the same since 1998.

Mr. Simpson noted that at the next meeting he would like to talk about the marketing and media plan for the College Planning Center for 2006 and also the SAT test prep course which is getting a lot of positive feedback. Mr. Simpson indicated that Dr. Croasdale had asked him whether a college board program is being offered in Rhode Island and Mr. Simpson reported that the Authority has checked and found out that this type of program is not being offered at this time.

Mr. Simpson indicated that on January 20, 2006 RISLA and NESLA are sponsoring a meeting in downtown Providence with Rhode Island schools. Mr. Simpson noted that an excellent program is being developed. Mr. Simpson noted that Bill Hurry will be one of the speakers at the program.

Mr. Simpson indicated that the guidance counselor breakfast sponsored by RIHEAA and RISLA was a positive event. Mr. Simpson noted that there were about 100 guidance counselors in attendance. Mr. Simpson noted that every year the guidance counselors receive the program very well.

Gail Mance-Rios talked about the special guests who attended the guidance counselor breakfast who spoke about fraud.

Mr. Simpson thanked Treasurer Tavares and Senator Reed for inviting RISLA to participate in the financial aid nights. Mr. Simpson believes that the audiences are very receptive to the information and assistance provided by RISLA and that it sparks an interest in the activity that RISLA undertakes.

Financial Report

Ms. Dutch reported on the compilation of the loan activity for the first three months of the fiscal year; net operating revenues for year to date; revenues for the month of September; expenses for the month of September; origination fee expenses for the first three months of the fiscal year; administrative expenses; College Planning Center budget.

Upon a motion by Dr. Croasdale and seconded by Dr. McKenna it was unanimously

VOTED: To approve the budget for the first three months of the fiscal year.

Nelnet Report

Mr. Kelley spoke about portfolio management and portfolio optimization which Nelnet does electronically. Mr. Kelley noted that Nelnet has decided to reallocate \$10M in loans to take advantage of certain bond issues that RISLA has and noted that as a result of these efforts RISLA will realize \$286,000 in additional net revenues.

Mr. Kelley noted that RISLA has about \$800M bonds outstanding, most of which are auction rate securities, and the interest rate changes based on market conditions every 28-35 days. Mr. Kelley indicated RISLA employs auction agents to represent itself with the investors who try to get the lowest rates possible for RISLA. The auction agents charge an annual fee of 25 basis points. Mr. Kelley indicated that due to its size Nelnet has been able to negotiate lower fees with auction agents and there has been discussion about getting the same fees for RISLA. Mr. Kelley discussed how RISLA could take advantage of these savings.

Mr. Kelley indicated that Mr. Simpson is in the process of going out to bid to all major investors for remarketing services in the hope of getting lower remarketing fees.

Dr. Croasdale asked about the status of the Nelnet audit, required under RISLA's contract with Nelnet. Mr. Simpson indicated that RISLA's outside audit firm is doing that as part of its regular audit of RISLA and should be ready to issue a report in the next 2-3 weeks.

Dr. Santoro asked if Nelnet has done any other acquisitions like the one with RISLA. Mr. Kelley indicated that he did not think there had been any other like this one but there have been asset purchases from non-profit entities.

There was a discussion about the division of responsibilities between NESLA and RISLA and Mr. Palumbo's memo regarding the same.

Mr. Simpson briefly reviewed the power point presentation he had distributed to the Board showing the relationship between and responsibilities of RISLA and NESLA. Mr. Simpson indicated that what he has tried to highlight is what RISLA's obligations are, what RISLA's programs are, an organizational chart, specific responsibilities assigned to employees for high level activities within each organization. Mr. Simpson indicated that NELSA and RISLA work very closely together. Mr. Simpson noted that as Mr. Palumbo's memo points out and through presentation, RISLA's ongoing statutory and contractual responsibilities survive that agreement and expressed the importance of RISLA's board and its staff to continue to meet those responsibilities.

Mr. Tavares noted that the presentation and Mr. Palumbo's memo has been extremely helpful in his understanding of the history and present structure of RISLA.

A discussion took place about the status of the Cooperative Agreement between RISLA and Nelnet. Mr. Tavares notes that this should be a priority. The Board was assured there would be follow up.

On motion duly made and seconded it was unanimously

VOTED: To authorize the Executive Director to lease additional second floor space from RIHEAA and to make such improvements to the additional space not exceeding a cost of \$30,000.

The Board discussed the formation of an ad hoc committee to evaluate the current and future space needs for both RIHEAA and RISLA.

Mr. Palumbo indicated that there is one matter that requires that the Board go into Executive Session pursuant to Section 42-26-5(a)(5) of the General Laws of the State of Rhode Island.

Upon a motion duly made it was unanimously

VOTED: To enter into Executive Session pursuant to Section 42-26-5(a)(5). All members present voted in favor of the motion, including Honorable Robert J. McKenna, Dr. William Croasdale, Dr. Anthony Santoro, and Mr. John Howell.

The meeting reconvened into open session at 11:38 AM.

Dr. McKenna announced the actions that were taken in closed session.

Dr. McKenna reported that during the Executive Session a motion was unanimously approved that henceforth all RISLA employees would have a co-pay for health care benefits modeled after the State plan.

Dr. McKenna reported that there was a second motion that was unanimously approved that would require a one time adjustment in the salaries of current employees to reflect their contributions to the health care plan.

Dr. McKenna reported that there was a third motion that was unanimously approved that henceforth RISLA's contribution toward the agency's retirement plan would be 10% of salary and employees would be required to pay 2% of their salary toward their retirement, with the option to pay an additional amount up to the legal limit.

Dr. McKenna reported that there was a fourth motion approved by the Board to increase the salary of the Executive Director by 5% to be effective as of the date the employee contributions to healthcare and retirement become effective.

Upon a motion by Mr. Tavares and seconded by Dr. Santoro it was unanimously

VOTED: That the Executive Director review the salaries of the existing employees as per the stated policy of the Board and make whatever adjustments are necessary.

Mr. Simpson thanked the Board for its time and attention these employee matters.

Upon a motion by Dr. Santoro and seconded by Mr. Tavares it was unanimously

VOTED: To adjourn.

Dr. McKenna adjourned the meeting at 11:42 A.M.

Adjournment was at 11:42 A.M.

Dr. William Croasdale
Secretary/Treasurer